

***REGIONAL STRATEGY: ANDEAN COMMUNITY OF NATIONS,
2002-2006***

*Acronyms*¹

ACT	Amazonian Cooperation Treaty
AEC	Project for the establishment of a common external tariff for the Andean States
AIS	Andean Integration System (comprises all the Andean regional institutions)
ALADI	Latin American Integration Association (Member States of Mercosur, the Andean Pact and Mexico, Chile and Cuba)
ALALC	Latin American Free Trade Association, replaced by ALADI in 1980
ALA Reg.	Council Regulation (EEC) No 443/92 of 25 February 1992 on technical and financial and economic cooperation with the countries of Asia and Latin America
ALFA	Latin American Academic Training Programme
ALINVEST	Latin American investment programme for the promotion of relations between SMEs
@LIS	Latin American Information Society Programme
APEC	Asia-Pacific Economic Cooperation (21 members) ²
APIR	Project for the acceleration of the regional integration process
ARIP	Andean Regional Indicative Programme
ATPA	Andean Trade Preference Act
CACM	Central American Common Market: Costa Rica, El Salvador, Guatemala, Nicaragua and Honduras
CAF	Andean Development Corporation
CALIDAD	Andean regional project on quality standards
CAN	Andean Community of Nations: Bolivia, Colombia, Ecuador, Peru, Venezuela + AIS
CAPI	Andean regional project for the production of agricultural and industrial studies
CARICOM ³	Caribbean Community
DAC	Development Assistance Committee of the OECD
DC	Developing country
DFI	Direct foreign investment
DG	Directorate-General
DIPECHO	ECHO Disaster Preparedness Programme
EC	European Community
ECHO	European Community Humanitarian Office
ECLA	Economic Commission for Latin America
EC OJ	Official Journal of the European Communities
EIB	European Investment Bank
ELN	National Liberation Army, Colombia
€x m	x million euros
EU	European Union
FARC	Revolutionary Armed Forces of Colombia
FATF	Financial Action Task Force on Money Laundering
FMs	Foreign Ministers/Foreign Ministries
FTAA ⁴	Free Trade Association of the Americas
G3	Group of Three: Colombia, Mexico and Venezuela
GAFISUR	Financial Action Task Force for South America (emanated from FATF)
GRANADUA	Andean Regional Customs Cooperation Project
GSP	Generalised system of tariff preferences
HDI	UNDP human-development index
HIPC	WB debt initiative for the heavily indebted poor countries
IADB	Interamerican Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
Mercosur	Southern Cone Common Market: Argentina, Brazil, Paraguay and Uruguay
MoU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement: Canada, Mexico and the United States
NGO	Non-governmental organisation
NT	Northern Triangle: Honduras, Guatemala and El Salvador
OAS	Organization of American States
OECD	Organization for Economic Cooperation and Development
OLADE	Latin American Energy Organization
OPEC	Organization of the Petroleum-Exporting Countries
PDA	Public development aid
PIERANDINO	Andean regional energy-distribution project
S&T	Science and technology
SGCAN	Secretariat-General of the Andean Community of Nations

SPS	Sanitary and phytosanitary
TBT	Technical barriers to trade
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
URBAL	Latin American Urban Programme (for the establishment of networks of local authorities in various areas of activity)
VECEP	Andean Fisheries Project (terminated)
WB	World Bank
WTO	World Trade Organization

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SUMMARY

This regional strategy of the European Community focuses on the Andean Community of Nations (CAN), comprising the five countries of the Andean region (Bolivia, Colombia, Ecuador, Peru and Venezuela) and the Andean Integration System (AIS). The original aim of the Cartagena Agreement, when it was concluded in 1969, was to promote subregional integration that would develop more rapidly than the integration process for the South American subcontinent as a whole. CAN covers a territory which is one and a half times as large as that of the EU and which accounts for 40% of the total area of Latin America. Its population is one third as large as that of the EU and constitutes a quarter of the entire population of Latin America. Its single common language is Spanish. The average *per capita* GDP ranges from \$1 000 in Bolivia to \$3 500 in Venezuela, which illustrates one of the disparities that exist between its member countries. Trade between the EU and CAN is worth €15 bn; the EU accounts for 15% of CAN's total trade volume, while the CAN share of total EU trade is 0.7%. At an average of \$2 500 per head of population over the last five years, the EU is the main source of DFI in the Andean subregion.

There is a crowded subregional agenda, with common positions on major issues, a common foreign policy, a subregional anti-drug plan, an 'Andean Peace zone', greater involvement of grass-roots organisations ('civil society') in the Andean integration process, the completion of a common market by 2005, trade talks between CAN and Mercosur, which are due to culminate in an agreement in 2002, and FTAA negotiations, as well as the implementation of a Social Agenda and of a sustainable-development policy. Nevertheless, the development of Andean integration is being retarded by centrifugal forces, such as the divergent priorities of the member governments and their reluctance to give up certain national powers.

The challenges facing this subregion are therefore twofold. Firstly, there is the need to strengthen Andean integration by ensuring that all players in society are involved in the process, by adopting a common external tariff, by constructing a common market and by developing the ability of CAN to project itself on the international stage as a cohesive bloc. Secondly, there is the need to tackle the causes of actual or potential conflicts with a view to creating a zone of peace and cooperation. There is undoubtedly much to be gained by taking concerted action to address numerous overarching, cross-border and CAN-wide issues, (illegal drugs, natural disasters, refugees, etc.). Numerous achievements in the course of its thirty-odd-year history testify to the sustainability of the integration process. Nevertheless, this development will stand or fall by the ability of CAN to implement the agenda set for the subregion by the Presidential Council. Since the 1970s, when CAN was in its infancy, it has been supported by development cooperation with the European Community. The amount assigned to this cooperation varies between €5 m and €10 m per annum, which is equivalent to 6% of all Community aid allocated to the subregion and its individual nations and less than 2% of the total allocation to Latin America. Comprising numerous initiatives in various areas of activity (fishing and agriculture, for example), EC cooperation with the Andean subregion has focused on economic initiatives relating to the construction of the common market (customs, standards and specifications, competition rules, etc.), on the promotion of human rights and on humanitarian assistance and the fight against drugs. The EC is the main source of funding for Andean subregional projects, the other sponsors having tended to opt for a national approach.

The Community response strategy will focus on two priorities. The first is to support the Andean integration process through the various direct participants in that process, helping CAN to develop a single market and to project itself as a player on the international stage. The second is to support the creation of an Andean peace zone by concentrating on various potential sources of conflict, such as the fight against drugs and the management of natural resources. With an indicative amount of €27 m having been allocated for the period 2000-2006 and some commitments having already been made from this allocation, the regional indicative programme for the period from 2002 to 2006 proposes three initiatives in the following domains: involvement of civil society, harmonisation of statistics and prevention of natural disasters.

Profile of the subregion

➤ *Geography and people*

The Andean subregion comprises the following five countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. A vast area stretching between Central America and the countries of the Southern Cone, the Andean subregion, with an area of 4.7 million km² and a population of 111 million, comprises a rich mosaic of geographical features, some of which, such as the *cordillera* of the Andes and the Amazon basin, are common to all five countries, while others, such as the Caribbean coast, the Pacific coast and the Atlantic-Pacific corridor, are specific to certain of the countries, which contributes to a wide diversity of political and commercial interests within the Andean Community.

The Andean population covers a broad spectrum of peoples,⁵ who speak the same official language and have similar cultures, since, at the time of Simón Bolívar almost two centuries ago, they lived in one and the same country. Today, these five countries have common trends that they share with the rest of the Latin American subcontinent: moderate overall demographic growth, averaging 2% per annum, extensive urbanisation (70% of the Andean population now live in towns and cities) and a relative low average population density of 23 inhabitants per km².

The Andean countries also have important natural resources in common, many of which remain unexploited. This applies, for example, to the biodiversity potential of the subregion, which is home to 25% of all the species of flora and fauna in the world,⁶ and especially to the rich biodiversity of the Amazon basin, covering 30% of the total surface area of the Andean countries, to the subregional water resources (40% of the freshwater resources in Latin America) and oceanic resources. Similarly, the Andean countries possess a wealth of underground resources – 55% of all oil, gas and coal deposits in Latin America and 10% of the world's copper resources.

➤ *The Andean Community of Nations (CAN) and the Andean Integration System (AIS)*

The expression '**Andean Community**' refers to the **five Andean nations** that are members of CAN and to the **AIS**, which comprises the various Andean regional institutions. This restructuring of the Community was the result of the Trujillo reform process of 1996, which was designed to lend political impetus to the original Andean Pact of 1969. The motives behind the creation of the Andean Pact were primarily economic and commercial; because the process of creating a South American free-trade area by means of multilateral product-by-product tariff negotiations was progressing very slowly, subregional cooperation in the framework of an Andean common market was seen as a means of accelerating the process while also promoting the economic and social development of each of the Andean countries and their inhabitants. Andean integration has not been without its ups and downs, such as the entry of Venezuela in 1973, the withdrawal of Chile in 1977 and the special status of Peru in relation to the common external tariff. Nevertheless, since 1 October 1992 four of the Andean countries have been linked in a free-trade area, which Peru is due to join in 2005, and a partial customs union exists between three countries (Colombia, Ecuador and Venezuela⁷).

The Trujillo reforms broadened the agenda of CAN to include cooperation in the political and social domains and created the AIS; the reforms were inspired to a great extent by the EC model. The result is that the Andean Community of Nations has a more complete institutional structure than any other supranational organisation in Latin America. The Andean Presidential Council is responsible for defining the political aims of the subregion. The presidency rotates, each Andean country holding office for one year at a time. Nevertheless, the working methods and powers of the Andean institutions differ in certain respects from those of the European institutions. The executive organ, the SGCAN, has no power to initiate legislation. It is only empowered to implement the decisions taken at the political level. The Andean Parliament is merely a consultative body, while neither the Court of Justice nor the 'Commission' – equivalent to the Council of the EU – do not yet possess the authority of their European counterparts, and most voting is by consensus. The defects and weaknesses of the AIS derive from the reluctance of the Andean countries to expedite the integration process. Not all of the integrative forces that act upon the CAN countries are necessarily Andean, and the five countries are not all prepared to pay the full price for genuine integration.⁸

➤ ***The economic framework***

If we do not count NAFTA, CAN is the second-largest economic bloc in the subcontinent after Mercosur (CAN has half the population of Mercosur and a third of its total GDP) and far outstrips the CACM (3.5 times the combined population of the CACM countries and six times their combined GDP). Seventy per cent of the value of the CAN countries' trade is derived from transactions with the United States, the EU and other CAN countries (45%, 15% and 10% respectively). The volume of trade between the EU and CAN has increased by 70% over the past ten years and now stands at €15 bn, but it remains unevenly balanced. Whereas the EU is in second place in the list of CAN's trading partners, receiving 16% of CAN exports, the Andean Community comes 29th among the trading partners of the EU, which sends 0.7% of its exports to the Andean countries. The balance of trade is tipped slightly in favour of the Andean countries. The range of Andean exports remains limited, comprising mainly raw materials and products of primary processing, whereas the EU exports products with high added values. Lastly, it is worth noting that the EU was the main direct investor in the subregion in the year 2000, having increased the value of its investments fourfold since 1990.⁹

This subregional presentation should not obscure the significant differences that exist between CAN countries. The five Andean countries fall within the World Bank's 'average income' category, and their development indices are classed as 'average'. The average *per capita* GDP for the subregion was \$2 400 in 1999, but the five national figures ranged from \$1 000 per head of population to \$3 500.¹⁰ The commercial profiles of the Andean countries are also highly diverse. Oil and other mineral resources account for the bulk of Venezuelan exports. Two-thirds of Venezuela's GDP comes from the industrial sector, and its economy is highly vulnerable to fluctuations in world oil prices. The service sector accounts for 55% of Colombian GDP, but Colombia exports coal,

minerals, coffee and cut flowers. It is an industrialised country which processes agricultural produce and minerals. It meets a heavy domestic demand for goods with high added values. Peru mainly exports primary products and is the sole importer of oil among the Andean countries. Industry and services each generate about 44% of its GDP. Bolivia and Ecuador have less diversified economies. Minerals are Bolivia's chief export, and its gas exports are increasing. Ecuador exports primary products such as bananas, oil and shrimps. Similar divergences emerge if we examine the relative importance of the five countries' trade with Europe or their success in attracting inward investment.

1. Aims and instruments of EU/EC cooperation with the Andean subregion

The following documents define the aims of EU/EC cooperation with the developing world; we shall begin with the most general instruments before going on to present those that are specific to Latin America as a whole and, finally, to the Andean subregion in particular:

1.1. General aims

Article 177 of the Treaty Establishing the European Community defines three aims of Community policy in the sphere of development cooperation, namely the sustainable economic and social development of the developing countries, the smooth and gradual integration of the developing countries into the world economy and the campaign against poverty in the developing countries. Complementing the cooperation effort of the Member States, this cooperation contributes to the pursuit of the general goals of development, consolidation of democracy and the rule of law and respect for human rights and fundamental freedoms. Recent documents define these goals in greater detail and specify the means to be used to achieve them.¹¹

The Joint Commission/Council Declaration of 20 November 2000 on EC Development Policy identifies **regional cooperation** as one of the six priority areas of EC development policy.¹²

1.2. Aims relating to Latin America

Council Regulation (EEC) No 443/92 of 25 February 1992 on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America is applicable to cooperation with the Andean Community. The Regulation specifies that '**regional cooperation** between developing countries shall be considered a priority area for financial and technical assistance' in a very wide range of fields of activity.

Since 1995, the **European Commission has adopted three communications on relations between the EU and Latin America in which it defines its specific aims with regard to that region.**¹³ Conscious of the heterogeneity of the subcontinent, the EU is resolved to adapt its dialogue and cooperation with Latin America to the diverse subregional circumstances and to support

integration within the region as a factor for economic and social development. The joint declaration adopted at the Rio summit by the Heads of State and Government of the EU and LAC countries refers to support for the integration processes in Latin America on the basis of open regionalism.¹⁴

Apart from support for regional cooperation, the three main aims of cooperation between the European Commission and Latin America are:¹⁵

- to develop a strategic alliance on the basis of the identification of subjects of common interest and convergent positions and of causes that can be jointly advanced in international forums,
- to promote diversified models for sustainable development, and
- to facilitate political dialogue between the grass-roots organisations of Europe and Latin America.

1.3. The instruments of EU/EC cooperation with the Andean subregion

Four instruments enable the EU to pursue the objectives of its cooperation with the Andean subregion:

- A **political dialogue at the ministerial level**¹⁶ is currently conducted on the fringe of the ministerial meetings with the Rio Group and in the framework of the UN General Assembly.
- The Andean countries are the only group of countries in the world which engages in a **political dialogue with the EU which is devoted specifically to the fight against drugs.**¹⁷
- The second **Framework Agreement on Cooperation between the EC and the Cartagena Agreement and its member countries.** Based on respect for democratic principles and human rights, the Agreement is designed to impart renewed vigour to cooperation between the parties and to promote the intensification and consolidation of the process of integration in the Andean subregion. The Agreement refers to all types of economic and development cooperation (relating to trade, investment, finance and technology), giving examples of specific categories of eligible initiative and guaranteeing that ‘no field of activity is excluded in principle’ from the scope of EU-CAN cooperation.
- **Special trade preferences**, designed to support the Andean States’ efforts in the fight against drugs. The preferences and the most-favoured-nation clause ensure that about 80% of Andean exports to the EU are exempted from customs duties.

2. The Andean subregional agenda

The Andean subregional agenda is essentially the product of the Andean presidential summits. The priorities and their order of importance vary with the rotating presidency, but a measure of continuity is observable, even if the apparent single voice of the Andean Community is sometimes belied by the pursuit of divergent or at least parallel national priorities. It is possible to summarise this agenda in terms of three main categories, namely political aims, economic and commercial aims and social aims.

2.1. The political agenda

The main aim of the political agenda is the creation of a common foreign policy. This concept first saw the light of day in 1998. Its emergence stemmed from the realisation that relations with other regions and subregions are a matter of importance. By 2001, however, it had broadened into the concept of '**political cooperation in the framework of Andean integration**', thereby incorporating elements of justice and home affairs which had not hitherto featured to any great extent in the discussions. In short, both internally and on the international stage, CAN is trying to achieve convergence between the positions of its member countries with a view to adopting **common positions**, to coordinating or harmonising its policies on current international issues.¹⁸

An agreement on stricter adherence to democratic principles served as the basis for the adoption of **two protocols**, which now await ratification by the five Andean Governments. These are the **Additional Protocol to the Cartagena Agreement relating to Andean Community commitment to democracy**¹⁹ and the **Additional Protocol to the Treaty Establishing the Andean Parliament, regarding the direct and universal election of its representatives**.²⁰ If the democratic order is overthrown in a member country, the Council of FMs may, following consultations, agree to sanctions such as exclusion from the AIS, the suspension of Andean projects or loans or other measures that are permissible under international law.

The Andean agenda has evolved from a desire to implement the **common foreign policy** that had already been adopted to the desire to mould a **common security and confidence-building policy** with a view to establishing an Andean peace zone to supplement the regular efforts that are made in this domain by the OAS²¹

The aspects of **police and judicial cooperation** have also been taken into account, particularly in the context of the fight against organised crime. One result of a common position on the **drug** issue was the adoption in 2001 of an Andean cooperation plan for the elimination of illicit drugs and related offences, coupled with the creation of an executive committee of national representatives to implement the plan. The creation of an **Andean passport**, scheduled for introduction in 2005, is another result of this process of coordinating national aims and formulating CAN aims for the entire subregion.

2.2. The economic and commercial agenda

Internally, this agenda focuses primarily on the completion of the single Andean market; externally, it is chiefly concerned with trade negotiations.

The **single Andean market** ought to be completed by 31 December 2005. The achievement of this target involves the adoption of a common external tariff, which is unfinished business at the present time, the creation of a common agricultural policy, the harmonisation of certain legislation (on competition, the protection of investments and the prevention of double taxation), the harmonisation of certain data, such as national statistics, and compliance with convergence criteria in national economic policies (single-figure inflation by December 2000, annual budget deficit not exceeding 3% of GDP, and the reduction of public internal and external debt below 50% of GDP by the year 2015). Free movement is not confined to goods, and the free movement of persons should be encouraged by a decision on the harmonisation and simplification of procedures for establishing the equivalence of degrees and other educational certificates, which was due for adoption by December 2001, as well as by proposed measures to harmonise the member countries' immigration laws.

The international part of the agenda contains a crowded calendar of **international trade negotiations**. The subregion speaks **with one voice** in various frameworks: in most of the international forums, in **trade talks** within the FTAA, with Mercosur²² and on the renewal of the trade preferences granted by the United States and the EU.²³ CAN has also expressed the wish to initiate an association agreement with the EU, which it regards primarily as a counterweight to the FTAA. Taking their lead from Mexico, Mercosur and Chile, the Andean countries see such an agreement as a means of perpetuating a negotiated system of trade relations which would not be subject to a time limit and would be weighted in their favour.²⁴

For the new round of WTO trade talks, a common position exists at the ministerial level, but there is not yet a common trade policy or an institution to defend the political interests of the Andean Community in the realm of trade. While the Andean countries support the **new round of WTO talks**, they also attach paramount importance to the principle of **special and differentiated treatment**. According to the Andean countries, such treatment 'must go beyond the mere granting of longer transition periods' for developing countries than for the developed countries. It must serve as a means of 'preserving, for an indefinite period, certain productive political instruments that are in force in each country. Technical cooperation is a fundamental element of this treatment. In fact, the liberalisation of trade should be accompanied by development financing with a view to modernising the production system, training people and increasing the supply of exportable products in the developing countries'.²⁵

2.3. The social agenda and physical integration

The term '**social agenda**' has been enshrined in the vocabulary of the Andean Community since 1995. It covers numerous areas of activity, such as education and culture, health care, science and

technology, sustainable development, including environmental protection, disaster prevention and grass-roots participation in decision-making processes. Action has already been taken in the last-named area with the creation of the Andean Labour Advisory Council and the Andean Business Advisory Council,²⁶ non-governmental organisations that are members of the AIS. Moreover, the Machu Picchu Declaration on Democracy, the Rights of Indigenous Peoples and the War against Poverty²⁷ provides for the establishment of a social conciliation group to enable society at large to participate in the integration process. The group is to assist in the formulation of an Integrated Andean Social Development Plan²⁸ as a response to the problems of poverty, exclusion and social inequality in the subregion. This is one of the first times that the problems relating to indigenous peoples have been addressed, even though the indigenous populations belong to the poorest and most marginalised social groups the Andean subregion. They are less well informed of their rights and benefit less from social services. Nevertheless, the recent unrest among the indigenous populations of Bolivia and Ecuador has undoubtedly been one of the factors behind the consideration of their plight at a high political level. The Declaration also refers to the need to include women's rights in the future Andean charter of human rights. Official interest in the issue of sexual equality is also a new development. Although women are well represented in the active populations of Colombia and Venezuela, a sharper official focus on women's rights cannot but enhance the status of women and promote the creation of subregional networks.

Belonging in equal measure to the trade agenda and the social agenda, **physical integration and border integration and development** are rightly presented as another priority for the subregion, because they are one of the conditions for closer convergence of the five countries and their populations and for the more efficient functioning of the customs union. Physical integration relates to transport by road, rail and river and to energy supply lines. The process of physical integration is part of a plan of action for the entire infrastructure of the South American region. As far as border integration and development is concerned, on the other hand, a Community development policy is already in place and has led to the creation of border integration zones and binational border service centres designed to facilitate cross-border movements. Andean cooperation projects in the domain of physical integration have been planned and are receiving support from financial institutions such as CAF and the IADB.

3. Analysis of the Andean subregion

The analysis of the subregion, of CAN and its member countries, must begin by examining **the specifically Latin American ideology of 'open' integration**. According to this ideology, convergence between particular countries is not an obstacle to negotiations between the bloc that is thus created or its member

countries and other countries or external bodies in response to the general liberalisation of trade. In the case of CAN and its member countries, the result of this approach is a network of about 30 preferential, trade and/or association agreements which are either in force or under negotiation. Some observers analyse this open Andean integration as a possible basis for the extension of the CAN structure to the whole of Latin America, which was the aim of ALALC. However, the fact that Peru, as an APEC member, looks towards Asia, while Bolivia and Venezuela look to Mercosur, and Colombia and Venezuela maintain close links with Mexico in the G3 framework, is symptomatic of other divergences among the CAN countries, divergences that are part of the centrifugal forces which cast doubt on the sustainability of their integration.

This concept of open integration has to be examined as part of the analysis of the strengths and weaknesses of the integration process, an analysis that enables us to assess the sustainability of the process. The questions that are raised about this sustainability will serve to highlight the main challenges facing CAN in the medium term.

3.1. The Andean Community's strengths and centrifugal forces

The **strengths** of the Andean Community are numerous and lie in the numerous factors that favour the pursuit of the integration process. The Andean States therefore have every reason to address their common problems and cross-border issues on a subregional rather than a national scale, as in the case of the indigenous populations or forestry resources. As indicated above, the subregion has a wealth of natural resources.²⁹ The exploitation of available resources, however, is restricted by virtue of an official declaration of intent on the conservation of resources.³⁰ The Andean States have almost completed the ratification of the international conventions on this subject³¹ and are active participants in the work of the specialised global and regional institutions.³² In terms of energy production, numerous privatisations have helped to increase efficiency, to improve people's access to electricity and to establish power-supply lines between certain Andean States, such as those linking Venezuela with Colombia and Colombia with Ecuador.

The fact that **the Andean Community negotiates *en bloc*** with Mercosur in the FTAA framework and in other forums is evidence that the Andean States are well aware of the advantages of negotiating as a group rather than as five separate entities. Moreover, the geopolitical position of the Andean Community as a bridge between the northern and southern countries of Latin America can make it a key player in the integration of the American continent if it continues to pursue a coherent policy towards third countries. The Andean States are aware of the geopolitical advantages of projecting themselves as a cohesive subregion. For various reasons (promotion of human rights,

suppression of drugs and/or terrorism) the United States has allocated to the Andean States 90% of the military and police aid and 50% of the education aid it has earmarked for the western hemisphere. Besides the North American aid for Plan Colombia, the subregion has also benefited from the Andean Regional Initiative, which is designed to prevent the effects of the Colombian conflict spreading to the rest of the subregion. The Andean countries also benefit from the strategic importance of Venezuela, the only oil-producing country and OPEC member in Latin America, a country that undoubtedly plays a leading role within OPEC.³³

In the **realm of trade**, there are other favourable circumstances which offset certain defects:

- Less than one per cent of all European exports go to the Andean subregion. Nevertheless, the past ten years have seen EU exports to CAN growing twice as fast as CAN exports to the EU.³⁴ This growth exceeds the overall growth in EU exports to the rest of the world during the same period.³⁵
- While there is undoubtedly an imbalance in terms of the type of products exported between the two Communities, most of the CAN exports being raw materials, it should be noted that products with high added value which are manufactured in the Andean Community are mainly exported to other Andean countries.³⁶ The structure of intra-Andean trade is far more highly diversified than that of CAN exports to the EU.³⁷ Between 1990 and 1999, the volume of intra-Andean exports grew faster than that of exports to countries outside the subregion.³⁸
- While the value of trade within the region remains low,³⁹ it has doubled over the last ten years,⁴⁰ and the same trend was continuing in 2001.⁴¹

These strengths cannot obscure the fact that **centrifugal forces** are at work within the subregion and that their very existence is undermining the integration of the five countries. The first weakness created by these forces is a certain 'democratic deficit' and CAN's relatively low profile. **The concept of an Andean Community does not seem to be reflected in the relative sense of identity of its peoples.** The last reform of the subregional structure in 1995 did not raise the profile of CAN. While there is no doubt that the populations of the CAN countries have a sense of Andean identity, they have little awareness of steps that are taken to advance the integration process, despite the fact that the national parliaments are required to ratify CAN treaties⁴². **The CAN States themselves also appear to be insufficiently committed to the AIS.** The Andean institutions are always dependent on voluntary contributions; the powers they possess are limited and are even ignored at times. There is a distinct reluctance to transfer powers to a supranational level. The institutions are in place, like a highly developed regulatory structure, but their usefulness and effectiveness are limited.

This discrepancy is probably due to the **difficulties and domestic priorities that are unique to each country**. Although they have less experience of dictatorship than some neighbouring countries and even though the democratic tradition is more firmly rooted in some of the Andean countries, political instability remains a fact of life. The oft-condemned corruption and the lack of involvement of civil society in decision-making processes are among the factors that sap the strength of all Andean countries. National initiatives emerge – and legitimately so, given the sovereignty of each member country – such as the dollarisation of the Ecuadorian currency and the move to apply import controls in Venezuela. These do not reflect a Community perspective and are inconsistent with the declared aim of harmonising the national economies. Neighbouring countries are apprehensive about the volatile situation in Colombia, fearing that it could spill over into their territories. Be that as it may, this Andean consensus could be turned to good account if the CAN members can achieve their objective of formulating a common security policy that creates an Andean peace zone.

In the **economic and social domains** there are also numerous weak points. The Andean countries are not heavily dependent on external liquid assets, but falling commodity prices and dependence on trade with the United States make their export earnings precarious. Debt service ties up a higher percentage of GDP than welfare expenditure and represents 20 to 40% of the value of exports. Inflation, while undoubtedly lower than it was in the previous decade, remains a reality. Casual jobs are not enough to make serious inroads into an unemployment rate which remains a two-digit figure. Throughout the subregion the task of ensuring that wealth is fairly distributed has never been tackled in a satisfactory manner. There are also frequent manifestations of social instability, such as the numerous popular demonstrations in protest at price increases for certain staple products. This instability was particularly evident in the unrest among the indigenous populations of Ecuador and Bolivia, who are among the most marginalised groups in the Andean countries. The urban population of the subregion, who are in the majority, generally have little income and no durable housing. The rural populations depend on income from agriculture. Floods, earthquakes and other natural phenomena, such as *El Niño*, have a devastating impact on these people's lives. The economic instability fosters delinquency or social violence in particular countries and encourages emigration to countries where a decent wage can be earned in better conditions. Lastly, despite the efforts that have been made in these countries to combat the production, trafficking and consumption of drugs, the latter remain an ever-present fact of life in the subregion. They are an obstacle to the sustainable development of the Andean countries, undermining their legal economies and their stability in general.

3.2. Sustainability of the Andean integration process

As the above analysis has shown, the paramount aim of the Andean integration process was initially the consolidation of an economic and trading area within the wider Latin American framework. The political element (the common foreign policy) and the social and environmental aspects have only been added over the past few years.

As we have seen, there has been undoubted progress in terms of **economic and commercial integration** among the Andean countries, even if a great deal of effort is still required before a customs union and a common market can be achieved. The member countries of the Andean Community are trying to harmonise their policies to encourage the free circulation of goods and services and personal freedom of movement. They have set longer-term macroeconomic targets which require them to coordinate their economic policies. The member countries, which are also conscious of the physical obstacles to their integration, have launched Andean initiatives for border integration and development as part of the South American initiative in this domain. Similarly, the numerous common positions that have been adopted by the Andean Presidents or Andean ministers on a very wide range of subjects demonstrate that some coordination mechanisms are working well. Faced by the drug problem, the Andean countries have agreed on a subregional action plan; they are all well aware that, even if the nature of the problem differs between countries, its consequences are disastrous for all of them. These advances all augur well for the integration process.⁴³

In the same way, the fact that **social and environmental considerations** are now being taken into account within the integration process will also play a key part in making the integration process sustainable. The involvement of civil society in the Andean integration process is a sustainability factor that should be nurtured. It is conducive to the spread of an Andean integration culture, and civil society can give a lead to the governments, which are sometimes reluctant to follow the path to closer integration. The concept of sustainable development is itself a recent addition to the vocabulary and policies of CAN. The member countries undertook to pursue this aim after the Earth Summit of 1992, since they considered its pursuit to be necessarily linked to the integration process and to their economies. The Andean Community strategy for sustainable development is currently being mapped out. Since it is too early to assess the results of this policy, the issue of sustainable development, broadened to include other interdisciplinary issues, must be regarded as one of the main challenges facing CAN in the medium term.

Lastly, the Andean countries' will to forge ahead with the construction of the Andean Community is a major factor in the sustainability of the integration process. Each country is tackling its own domestic priorities, but awareness of the need to operate within an alliance in order to participate in globalisation creates a

form of external pressure which enhances the sustainability of the process.

3.3. Medium-term subregional challenges for the Andean Community

The medium-term challenges facing the Andean Community at the subregional level are economic integration, commercial integration and the construction of an Andean peace zone.

The quest for closer subregional integration ought to be focused on these three challenges if the means of achieving the declared aims of the Andean Presidents are to be acquired:

- All players – institutions, politicians and civil society at the national, regional and local levels – are to be involved in the Andean construction process with a view to securing their support for the pursuit of the process. Initiatives that have been launched for this purpose (the Andean Business Council, university chairs of Andean studies, etc.) should be continued by means of information seminars for representatives of civil society, etc. Other possible avenues are the ratification of the Additional Protocol to the Treaty Establishing the Andean Parliament, regarding the direct and universal election of its representatives, accompanied by an increase in the powers of the Andean Parliament and/or the creation of a mechanism whereby the supranational institutions obtain their own financial resources. An analysis of the extent to which the cost of achieving the aims of the Community is covered by the contributions it receives can serve as the basis for a decision on such a mechanism within a time frame that reflects the priority attached to subregional integration by the Andean States. These aims are:

- to perfect the instruments and policies required for the completion in 2005 of the customs union and common market, including the processes for the adoption and effective implementation of decisions leading to this goal; the perfection of these instruments and policies will depend on the adoption of a common external tariff, the continued harmonisation of standards, the establishment of rules governing competition, the harmonisation of policies and the adoption of other measures that are required for the free movement of the factors of production;
- to raise the profile of the Andean bloc on the international stage by adopting and defending common positions, by negotiating as a single entity, particularly in the post-Doha negotiations, by increasing the volume of Andean exports, by implementing the WTO agreements and by improving the competitiveness of the Andean Community in the world market.

The construction of an Andean peace zone is the other main challenge confronting CAN. The human and financial impact of conflicts is a compelling argument for their prevention. This challenge must be tackled by focusing on the numerous causes of conflicts and, on the basis of a medium-to-long-term perspective, addressing these causes in conjunction with certain overarching,

cross-border and CAN-wide issues with a view to reaping the benefits of joint action on a subregional scale. The main issues for the Andean region in this respect include the fight against the production of illegal drugs and trafficking in them, the quest for sustainable management of natural resources, the prevention of natural disasters, problems relating to refugees and internally displaced persons, respect for human rights and democracy, consideration of problems relating to indigenous populations and sexual inequality, food security and trafficking in light arms. With regard to the environment, for example, the Andean countries currently face serious degradation problems. All five countries suffer deforestation, although the main causes vary from one country to another (soil deterioration through overfarming, the international demand for tropical timber or the practice of illegal felling, for example). Soil erosion and other degradation problems, as well as the problems of air and water pollution, are also common to all five countries. These problems will have to be addressed with a view to minimising the effects of future natural disasters. All of these factors undoubtedly threaten economic growth and hamper the fight against poverty. They endanger the foundations of sustainable development, one of which is the consolidation of stable democracies.

4. Summary of past and present EC-funded cooperation in the Andean subregion

4.1. EC-funded regional cooperation

The last external evaluation of regional-cooperation projects in Latin America, including those involving Andean countries, which were funded between **1979 and 1996**⁴⁴ (ECU 78 m, allocated to 67 projects), came up with the **following conclusions**:

1. This finding of this evaluation is that the concept of a regional approach is in line with the shared vision of the EU and Latin America, even though the ways in which each of them puts that vision into practice sometimes differ. Support for the regional integration of developing countries reflects the EU policy of supporting such processes whenever it is asked to do so. After a period during which the regional institutions were strengthened, the time has come to target the intensification of the integration process.

2. With regard to the types of initiative that have been financed, the present evaluation identifies three distinct periods. From 1979 to 1985 (ECU 27 m for 8 projects), the EC supported rural development, food security and the timber industry. From 1986 to 1990 (ECU 33 m for 25 projects), EC support was focused on regional integration, fishing, agriculture, exports, energy and initial anti-drug measures. From 1991 to 1996 (ECU 18 m for 34 projects), funding was concentrated on the promotion of customs union, energy, economic and commercial integration and human rights. It is difficult to quantify the results of projects designed to

promote sectoral studies at the regional level. The diminution of the amounts allocated to regional cooperation in the Andean subregion makes it essential for us to focus our efforts on fewer projects and on more precisely defined areas of activity and/or on activities of a more technical nature which may be conducive to the integration of the subregion.

3. Complementing national initiatives, regional-cooperation projects are certainly more difficult to manage, and they have a low public profile. The counterpart agency must be carefully chosen; at the regional level, it may be one of the institutions of the Andean Community or another regional institution from a specialised field of activity (such as OLADE in the case of energy projects). It is important not to confine involvement in the project to the regional tier of government but to incorporate the national authorities, other institutions, operators in the field and civil society into the effort and to try to involve the direct beneficiaries of the project in its implementation. Links between regional administration and national implementation should also be encouraged, and the way in which the project is administered should be tailored to match its objectives. The hybrid nature of the EC-CAN framework agreement makes it possible to select either a single counterpart agency or the five member countries, depending on the area of activity to which the project relates.

As far as **cooperation since 1996** is concerned, the recommendations made in the external valuation have been followed: rationalisation of the number of projects, targeting of technical sectors and involvement of a wider range of players: regional and national, institutional and non-institutional, generalist and specialist bodies. Even though it is too early to make generalisations, regional projects are often more complex to devise, manage and implement than national projects unless there is a regional body that specialises in the relevant field.

The last three cooperation projects designed to strengthen economic integration (*Granadua*, *Calidad* and *Competencia*) have taken account of the remarks made in the evaluation report; the projects are more closely attuned to conditions in each country, because one of the coordination tasks performed by SGCAN is to involve the five national coordinators from the relevant technical administrative bodies as well as some of the players in the field, whose work counts as part of the member countries' contribution to the projects. It is too soon to assess the results of this new type of project management, which, though undoubtedly complex, is more consistent with the aims of harmonisation and the creation of cooperation areas and networks, which ought to promote regional integration. In fact, internal restructuring of the European Commission has delayed the implementation of these projects. It should be noted that the projects in question also involve Community and national bodies in Europe, which ensures that appropriate volumes of know-how are transferred, that Community

cooperation receives a higher profile and that the inputs of the Commission and the Member States complement each other within each project rather than between projects, given the virtual absence of Andean subregional cooperation projects from the Member States' development-aid programmes. The multiannual programme on human rights links subregional initiatives to national projects implemented by national cooperating agencies from civil society, which are themselves coordinated at a regional level. The project on the efficient use of energy is implemented by a body that specialises in energy matters. The Andean Plan for the Control of Illegal Drugs, which entails harmonisation of national laws and regulations as well as action to combat money-laundering and the diversion of precursors, was signed by the five member governments and has been implemented by specialised European agencies.

4.2. Virtual absence of other donors from the domain of subregional cooperation

It is difficult to assess the coherence and complementarity between EU support for regional cooperation in the Andean subregion and that of other donors, because the input of other donors is very limited and is sometimes piecemeal in cases where it is not part of an established strategy.⁴⁵ In general terms, public development assistance, like loans, is bilateral. Total development aid to the subregion amounted to \$1 881 m in 1999, the highest figure since 1995; between 1995 and 1999, the EU allocated almost three times as much to the subregion in development aid as the United States. The priority targets for this assistance are the social infrastructure and social services, followed by the economic infrastructure and economic services and, lastly, production support.⁴⁶

Some bodies which used to support Andean regional projects have abandoned them in favour of national projects, since there seems to be a higher degree of beneficiary involvement in national projects, or have opted for projects covering the whole subcontinent, which are easier to administer and permit economies of scale,⁴⁷ whereas the EU Member States are thinking of adopting a subregional approach in the Andean countries. Their past projects and loans have been designed to support the industrial sector, to promote regional and international competitiveness, to support small and medium-sized enterprises and encourage encounters between operators in specific economic sectors and to enhance the management of natural resources, the transport infrastructure and cross-border integration.

The available information on the non-EU-funded regional cooperation that is currently taking place seems to indicate a marked imbalance in terms of form; much of it is devoted to the funding of studies and support for international travel, but there are very few operational projects.⁴⁸ The amounts of financial support range from €5 000 to €700 000. Only one project can compare in financial terms with those supported by the EU. It is a joint CAF-

Harvard University project designed to improve the competitiveness of the Andean countries and has a support budget of four million dollars. Most of the other projects are studies relating to procedures for the harmonisation of the various Andean policies (CAF, IADB and OAS), protection of the environment (biodiversity and biocommerce with the IADB and UNCTAD) or the preparation of infrastructure projects (IADB). Two regional loans have been made, one from the EIB to CAF for water purification and one from CAF to CAN for the development of cross-border infrastructures.

This summary of the regional aid provided by other donors to the Andean subregion confirms that, as in the past, future EC strategy for the subregion should focus not only on coordination of the various donors' efforts but also on the need to ensure that EC regional assistance to the Andean subregion and its assistance to each of the Andean countries complement each other.

5. Community response strategy

5.1. Principles and aims of cooperation

So that the implementation methods can be more closely tailored to the purposes of regional-cooperation activities, there is a fundamental need to **take account of the following criteria in regional projects from the definition stage:**

- The project must respond to problems that are common to the whole subregion.
- It must accord with the priorities adopted by the beneficiary states and must require them to give an undertaking to put into national practice the experiences they amass in the wider framework of the regional project.
- It must identify the counterpart agency that can best implement the project; this could be an Andean regional institution, a specialised institution operating in the Andean subregion, a national institution, NGOs, etc.
- It must offer more than could be achieved by implementing similar projects on a national scale.
- It must help to coordinate all the efforts that are made within the subregion and must permit **economies of scale** and/or ensure that cooperation between existing national mechanisms generates synergetic effects.
- It must serve to produce a real impact on the dynamics of integration by preventing the disintegration of regional projects into various national ventures.

5.2. Priorities and specific aims

In the light of the foregoing analyses, it is proposed that the regional strategy of the European Community for the Andean subregion be based on two main priorities, each of which would have two or three specific aims.

5.2.1. Supporting Andean integration by pursuing the following three specific aims:

- **Supporting all the players in the Andean integration process**

The players involved in the Andean integration process are the regional and subregional institutions, the national institutions and the representatives of civil society in the form of NGOs, trade unions, chambers of commerce, etc. One of the main objectives is to promote convergence of purpose between the institutional players and the final beneficiaries of the integration process. European support may consist, for example, in the transfer of methodology or the provision of staff training by the European institutions to their Andean counterparts, but such support would not diminish the obligations of the Andean countries themselves, particularly their financial and political obligations.

- **Improving the instruments and measures that have been put in place as essential elements in the effort to complete the Andean common market by 2005**

The first step in pursuit of this aim is to finalise the external customs tariff with a view to achieving customs union. It will also be necessary to continue supporting the various instruments of trade policy (customs regulations, quality standards and competition rules) and of the other sectoral policies. The purpose of this support should be the gradual harmonisation of these instruments. The Andean market needs a better transport infrastructure within the subregion, the various channels of communication, energy-supply lines, etc., without which the free movement of goods, services and production factors will be limited and the integration process impeded. It will be possible to accord special priority to initiatives that can eliminate recurrent obstacles or effectively promote free movement within the subregion. Community support can take the form of both direct funding of particular measures and grants for the production of basic studies for submission to prospective funding bodies.

- **Supporting the international projection of CAN as a global economic player**

Support from the European Community will focus especially on the capacity of the Andean countries that benefit from Community preferences to export to the EU. This will essentially involve informing commercial operators of the fruits of the system of Community support, such as the results of the study on export barriers or the measures to promote encounters between economic players from the two Communities. This initiative will complement the efforts being undertaken by each of the Andean States with support from the EC in the framework of its national strategies. As was mentioned in the Doha Declaration and in the WTO Agreements, Community assistance can also support trade initiatives and related activities, such as the establishment of sanitary and phytosanitary standards and of technical regulations and standards, etc.

5.2.2. Support for the aim of an Andean peace zone

The Andean aim of consolidating an ‘Andean zone of peace’⁴⁹ lends itself to support through regional cooperation, which, together with integration, plays ‘a decisive role in consolidating peace and preventing conflict’.⁵⁰ For all its great potential, the Andean subregion remains an unstable area on several counts (internal conflicts, drug production and trafficking, natural disasters, etc.). For this reason, even though each of the Andean States needs to take measures of its own, especially in the realm of social policy, numerous transboundary and cross-cutting issues would be more effectively addressed on a subregional scale. Besides EU support for the Andean regional conflict-prevention mechanisms, the Andean subregion will also be able to benefit from the various horizontal instruments of Community policy, such as support for the environment and the protection of tropical rainforests, for refugees and internally displaced persons, for the rights of indigenous peoples, for women’s rights, for the fight against illegal drugs and trafficking in light arms, for human rights and democracy, for NGOs and for food security, as well as the instruments that are devoted specifically to Latin America. Two areas of activity seem to merit special priority:

- **Resource management and natural disasters**⁵¹

Activities in this domain will primarily relate to the measures that need to be taken to prevent natural disasters, which have often befallen the subregion in the past, and to lessen their impact on the population and the environment. The planning of these activities will take account of the links that exist between the present development efforts and the aim of sustainable development. This also implies the need to optimise the forestry and water resources of the Amazon basin and to manage the use of land in a rational manner. The activities can take the form of transfers of know-how with a view to harmonising the various national laws and regulations, or they can consist in the preparation of studies and development plans and the initiation of pilot projects. It would also appear to be intrinsically useful to attach special importance to the aims of strengthening the subregional institutions with responsibility for the management of the Amazon rainforest, of preserving biodiversity and of identifying forestry products with economic potential, such as medicinal plants, and exploiting them.

- **The fight against illegal drugs**

The principle of joint responsibility between the EU and CAN is applied to the fight against illegal drugs. This joint effort complements the other subregional, regional, interregional and even international instruments and agreements. Besides the devastating effects of the drug trade on the economy and population of any country, this illegal trade, like its structures and its profits, is bound up with other related crimes. Complementing the national projects for the development of alternative cash crops or for the suppression of the drug trade, the regional support

provided by the EC will focus on the harmonisation of laws and regulations, the fight against money-laundering and the control of chemical precursors. It is intended to commission studies on these issues in the framework of the programmes relating to each of the three aforementioned domains.

5.3. Consistency with other Community policies

The aim of the EC strategy for cooperation with the Andean Community is to support the integration of the Andean subregion and the creation of an Andean zone of peace. The strategy must be consistent with the other policies of the European Community but must also highlight inconsistencies between any of these other policies. In general terms, the various Community policies that are liable to affect the region do form a coherent whole, although some Community policies may be interpreted as potential sources of problems.

Coherence or the absence of obstacles

In general terms, Community policies relating to the Andean subregion are coherent if they allow the European Community to project itself in the subregion with a view to supporting the Andean countries or Andean integration. This is the case with **the EC competition policy**, which has served as the basis for an initiative for the harmonisation of national laws and regulations relating to free competition, and with the initiative launched by **Eurostat**, which is prepared to share the know-how amassed by the EU with converging groups of nations that are at an earlier stage of the integration process than the EU has now reached. **Trade policies** are coherent if they enable the EC to support cooperation projects that promote the extension of special trade preferences among the Andean countries as a practical application of the principle of joint responsibility to which our two Communities subscribe. Similarly, regional-cooperation projects designed to promote closer Andean integration and the establishment of the Andean common market (in the domains of **customs policy, standards and specifications, the fight against money-laundering, transport policy**, etc.), and to help CAN to comply with the WTO Agreements benefit both the EU and CAN. Short-term and long-term **disaster-prevention policies** are also consistent with each other by virtue of the fact that the activities undertaken by ECHO are dovetailed with those that are planned by other Commission services so that the sustainability of ECHO measures can be guaranteed and so that ECHO can work in tandem with partners providing complementary inputs. Lastly, the **research policy** that has been discussed with the Andean States, for instance at the meetings of the joint subcommittees on science and technology, benefits the Andean countries too by enabling them to respond to calls for proposals in connection with the international component of the framework research programmes.

The same applies in the wider political context of the numerous **horizontal policies or contacts** relating to subjects such as

conflict prevention, human rights, good governance, sustainable development, the fight against illegal drugs, protection of the environment, food security, assistance to refugees, the rights of indigenous peoples, women's rights, support for NGOs, etc. The regional approach to political dialogue and cooperation is an entirely suitable way of addressing these horizontal issues in general and of addressing them in the Andean subregion in particular, as is shown in the present strategy paper. In some cases, measures can even complement each other when the projects funded through European instruments are followed by larger-scale projects that secure the sustainability of the initial project measures.⁵² There may also be complementarity in terms of the geographical coverage of the project or in terms of the beneficiary authority.⁵³

There are some EC policies which do not feature in cooperation with the Andean subregion. Nevertheless, if both parties were to express an interest in the international projection of these policies in the Andean subregion, cooperation could conceivably be extended to these policy areas too.⁵⁴ Finally, since it is difficult to consider all the areas of EC policymaking in the Andean subregional context, we should also take account of the measures planned for the entire Latin American region, which also apply in practice to the Andean subregion, especially the projects in the realms of information, energy, small and medium-sized enterprises and science and technology.

Possible inconsistencies or faults

Inconsistencies or conflicts, real or potential, or quite simply perceived as such, may emerge between the EC strategy with regard to CAN and its member countries and other EC policies. While the perception problems can be overcome by means of an intensified dialogue, it is not always easy to resolve conflicts.

As far as the common trade policy is concerned, for example, while the Andean States appreciate the value of the tariff preferences granted by the European Community under the GSP, and even more so under the special GSP arrangement for the suppression of trafficking in drugs, they are apprehensive about the short-term nature of the arrangements and about their own position by comparison with other beneficiaries of the scheme. In spite of the ten-year time frame applied to the planning of GSP policy and the periodic renewals, which used to take place annually but now cover a period of at least three years, of the Community regulations governing the implementation of the scheme, the political commitment of the European Community to the GSP scheme has proved itself over a long period of time and is unquestionable. Moreover, with the special arrangement relating to drugs, which is also based on a firm political commitment, the Andean countries now enjoy extremely favourable trading conditions.

A far more serious instance of conflict is the well-known case of trade in bananas, where the interests of some Andean countries have long been in collision with the undertakings made by the European Community to the ACP countries. The EC has tried to satisfy its various partners and has reached an agreement with all the interested parties. These conflicts can only be resolved or avoided through a closer link between the cooperation strategy adopted by the EC and the analysis of the trade prospects of the countries in question. Continuing with the example of the bananas, one wonders whether it was advisable for these countries to develop the banana industry to such an extent that it became a monoculture in some areas when their governments already knew that it would be difficult to sell these products in the European Community, one of the major global markets.

Still more serious is the potential conflict between the needs of the Andean countries in terms of access to the EC market and the European policies for the protection of human and animal health, of the environment, of consumers, etc., because in this case it is not only economic issues that are at stake but essential requirements of the citizens of the European Union. In these cases, there can obviously be no question of lowering the level of protection that the European Community has seen fit to establish for these vital assets. The only solution is to integrate these considerations into the development strategy of the EC with a view to enabling producers in these countries to adapt to European standards; this would also have the advantage of raising the level of protection afforded to consumers in the exporting countries.

5.4. Complementing the contributions of other donors and other EC projects in Andean countries and in Latin America

5.4.1. Complementing the contributions of other donors

Future cooperation of other donors with the Andean subregion is difficult to pin down since these donors have no regional strategy and/or do not treat the Andean subregion as a separate entity. There is even less information available on future activities than on past regional-cooperation projects in the Andean subregion.

Within the EU, the EIB plans to make a new loan to CAF when the present loan for water purification runs out. The area of activity to be covered by the loan has not yet been determined. The aim remains that of supporting a regional institution equivalent to the EIB. The Member States do not engage in development cooperation with the Andean subregion as such either, with the exception of **Spain**, which provides training courses and seminars on the fight against **illegal drugs**, but even these activities are not necessarily coextensive with the territory of the Andean subregion, as they sometimes include other Latin-American countries.⁵⁵ These projects under the Spanish national anti-drug plan, most of which are designed to support police cooperation and other aspects of law enforcement, complement the initiatives of the European Commission. The latter focus on those domains in which the

Commission is empowered to act. They are regional initiatives for the harmonisation of laws and regulations, the suppression of money-laundering⁵⁶ and the prevention of the diversion of precursors.⁵⁷ In none of the other domains of development cooperation do the EU Member States take a subregional approach to the Andean countries; all their projects are bilateral. According to the SGCAN, various Spanish institutions⁵⁸ are likely to become more involved in the future in supporting the social agenda and CAN itself.

As it had done with France, the SGCAN has asked other EU Member States⁵⁹ to organise information seminars in their own countries, which representatives of SGCAN would attend, with a view to raising the profile of the Andean Community in Europe. Accordingly, the civil-society project that the Commission plans to develop will focus primarily on activities in the Andean subregion, although the creation of a network linking grass-roots organisations in the EU directly with their Andean counterparts cannot be ruled out. France has also assisted SGCAN in the domain of official statistics.⁶⁰ The aim of the EC project for the harmonisation of Andean regional statistics is to continue and complement the French initiative. Some Member States also maintain cultural networks, which are appreciated by CAN.

Of the non-EU donors,⁶¹ the IADB and CAF plan to grant loans to support subregional and/or cross-border projects relating to the physical infrastructure and are currently at the stage of identifying suitable projects. Despite the strategic value of such projects, it is very difficult for the Commission to support this type of initiative because of the small budgetary appropriation that is allocated to regional projects in the Andean subregion. CAF, however, has recently created a department of technical cooperation with a view to increasing the volume of regional cooperation with the Andean countries in the future; until now, loans have been the main form of support provided by CAF. Lastly, the Andean countries are among the beneficiaries of the grants that are made in the FTAA framework for negotiating groups, customs-related business-facilitation measures and technical training seminars for national negotiators.⁶² This is why the present ARIP does not provide for any specific measures in this domain.

5.4.2. Complementing other EC projects in Andean countries and in Latin America

In the case of projects of a social nature (health and water purification, for example), rural-development projects and projects for the introduction of new cash crops as alternatives to drug production, the Commission favours cooperation with the individual Andean countries so as to ensure that the projects have a definite impact, that budget funds are allocated to them and that the national authorities oversee their implementation. Economic-cooperation projects are designed to support specific sectors of the economy, while the primary aim of regional projects is to support

the Andean integration process. The project for the prevention of natural disasters in Venezuela will target a precise geographical area and should promote the creation of new infrastructure. The environmental-protection project in Ecuador will promote the sustainable management of that country's natural resources. The contribution of the Andean regional disaster-prevention project will be to meet the need for closer coordination among the national authorities of the Andean countries, which are all affected by natural disasters. The Andean regional project will also complement the disaster-prevention initiatives that are planned for the whole of Latin America, since the latter place greater emphasis on the creation of networks of local authorities and on the establishment of a contingency fund for future disasters.

The limited subregional cooperation with the Andean countries intentionally excludes the priority areas for regional cooperation with the whole of Latin America, which are covered by horizontal programmes relating to the information society, networks of European and Latin American SMEs, university exchanges, local-authority networks, etc. These projects will undoubtedly prove conducive to the establishment of networks within the Andean subregion too.

6. Andean Regional Indicative Programme (ARIP), 2000-2006

According to the multiannual financial forecasts compiled in 1999, the Andean Regional Indicative Programme will have a budget of €23 m to €31 m for the period from 2000 to 2006. Between €12 m and €16 m of this amount will be allocated to budget line B7-310 and the remaining €11 m to €15 m to line B7-311. If we deduct the amounts that have been committed in 2000 and 2001,⁶³ this leaves an amount of **€21 m to €29 m for the period from 2002 to 2006**. The ARIP may be subject to revision in the event that measures have to be changed or adapted in order to ensure that the strategy is properly implemented. The final selection of projects and the allocation of funds to each projects will be made on the basis of the results of the identification and detailed preparation work administered by the European Commission. The indicative programme of work is subject to the annual budgetary allocations made by the Commission.

6.1. Proposed measures

- **Regional statistical initiative**

Background: In 1977, CAN established a regional statistical system and created the Andean Statistics Committee⁶⁴ with a view to facilitating coordination and harmonisation among the national statistical offices. In spite of numerous projects and the existence of statistics covering the whole subregion, the official statistics produced by each of the Andean countries are still lacking in comparability in terms of both coverage and methodology. With a view to rectifying this situation and creating a common market by 2005, CAN has adopted a statistical programme for the period

from 2000 to 2004. In addition, Eurostat, which already receives invitations to attend the meetings of the Andean Statistics Committee, has included support for CAN in its programme of work for the year 2002. The subject of cooperation in the domain of statistics was raised at the last meeting of the EC-CAN Joint Committee in 1999. European experience has shown that harmonised regional statistics are a key element in measuring the extent to which various countries are integrated into their regional community. Support in this domain is therefore defined as the first priority in the regional-cooperation strategy for the Andean subregion.

Aims: The improvement of the Andean regional statistical system is part of the priority goal of intensifying the efforts to establish the Andean common market and to raise its international profile.⁶⁵ The specific aims are as follows: to improve regional statistics in the main areas relating to the construction of the single market, to strengthen and improve the national and subregional statistical offices and to enhance the quality of their output and to harmonise statistical methodology among the member countries of CAN and, wherever possible, between CAN and the EU.

Expected results

- The initiative is expected to produce harmonised regional statistics in the priority areas in terms of the construction of the Andean common market and EC-CAN relations.⁶⁶
- Harmonised statistical methods should be adopted in these priority areas.
- The national statistical offices and the other bodies that belong to the national statistical systems, such as the central banks, government departments and the customs service, should be able to produce better, more reliable and more relevant statistics.
- Andean regional coordination in the statistical domain should be developed in accordance with the methods used by Eurostat in Europe.
- The valuation of trade between the EC and CAN should become more reliable, because similar methods will be used to calculate the figures.
- Regional statistics should be more widely and efficiently disseminated.

Implementation (activity, management, location and duration):

The activities in this domain will depend primarily on European technical assistance for the training of the staff of the national statistical offices and the subregional office, for the development of harmonised methodology and for progress towards the dissemination of comparable high-quality subregional statistics. A special effort will be made for those statistical offices that lag furthest behind. The activities may take the form of seminars, courses, working groups, methodological studies, national subprojects, etc. The provision of equipment and supplies can also

be envisaged, especially if there is a shortage of suitable software. The SGCAN could provide the Andean co-manager, while the European co-manager could be a specialist in the Community process of statistical harmonisation. If SGCAN did provide the co-manager, the project base would be in Lima. The Andean co-manager will work in close collaboration with the national statistical structures, from which the five national coordinators will be drawn. The duration of the project will be three years.

Performance indicators

- Harmonised statistics will be obtained (at the present time, national statistics are not comparable).
- The appropriate Andean subregional statistics will be available online on the CAN website (quantification before, during and after the project).
- There will be a distribution plan for basic Andean statistics comprising a list of the main users: the national administrations, SGCAN, professional organisations, chambers of commerce, research institutes and educational institutions (statistics are not disseminated to these bodies at the present time).
- Eurostat software will be used in specific domains.

Conditions: The main conditions will be the provision of a financial contribution by each State, which will be collected by the Andean co-manager (the method used for the Calidad and Granadua projects), the designation of national coordinators drawn from the national statistical offices and their effective participation in the project. Non-participation by a national statistical office will result in the cessation of the project.

Financial resources, 2002-2006: 15% of the allocation to budget line B7-311.

- **Air safety**

Background: Air transport is a vital means of communication in the Andean subregion because of its geomorphology, the great distances between its main population centres and the need to use aircraft to transport the perishable products that are major exports of Andean countries, such as cut flowers and shrimps, and to bring tourists to the subregion. An initial fact-finding mission has already taken place, and a pilot project is being implemented in Central America. A joint initiative between the Andean subregion and Central America is conceivable.

Aims: The aims of this project are to lay the foundations of a soundly regulated and supervised aviation industry providing safe and efficient air-transport services within the Andean Community and/or Central America and to help the countries in these areas to meet international standards. At the same time, the project is intended to establish long-term partnerships with Europe in matters of regulation and aviation safety.

Expected results: The project is expected to result in the beneficiary countries complying with the international safety standards laid down by the International Civil Aviation Organization (ICAO); this would be verified by means of a comparison of the level of compliance before and after the project activities.

Implementation (activity, management, location and duration): The project could cover the following areas of activity: institutional and judicial support, aviation management, training of inspectors and airline staff, safety audits, technical assistance to improve operational safety and international monitoring by the ICAO. It will be the task of another fact-finding mission to determine the most appropriate location for the project base, the headquarters of the operational counterpart agency in the subregion, especially if the project were to cover the entire subregion. The duration of the project would be four to five years. Similar projects that have already been implemented by the EC and have been favourably assessed will serve as a reference basis for the definition of this project.

Performance indicators

- The relevant legislation will be simplified and revised
- The regulatory authorities will be reformed and their staff will be properly trained.
- The number of aviation accidents will decrease.
- Market access will be improved.

Conditions: The beneficiary States will enforce the appropriate laws and regulations and/or make the administrative changes required for their enforcement. The beneficiary States, like operators from the private sector, will meet the costs arising from the participation of their employees in accordance with the terms of the financing agreement. The beneficiary States will undertake to keep the project management committee informed of progress in the implementation of the project in their respective countries.

Financial resources, 2002-2006: 35% of the allocation to budget line B7-311, to which will be added part of the allocation to Central America if the Central American region is included in the project.

- **Trade-related technical assistance**

Background: A study on the state and future prospects of economic and trade relations between the EU and CAN was begun in January 2002, and its results should be available in the course of the same year. Apart from the fact that the study will be able to serve as a basis for reflection on the future of relations between the two Communities, its conclusions will probably highlight areas in which EC support would enable CAN to achieve closer regional

integration and in particular to construct its common market. In addition, with regard to the application of the WTO Agreements and the Doha Declaration and negotiating agenda, EC support in the areas where shortcomings are identified would benefit both Communities in their quest for maximum progress towards the integration of the Andean countries into the multilateral trade system.

Aims: The aim of this assistance is to enable CAN to become a more closely integrated community and to present itself on the international stage as a partner with enough knowledge to derive maximum benefit from the WTO Agreements and to engage in fruitful trade negotiations.

Expected results: CAN is expected to focus on the identified weaknesses in its integration and to rectify them with the aid of the expert assistance given to it; CAN should have enough institutional and regulatory capacity to apply the WTO Agreements effectively, and its negotiators should be properly trained.

Implementation (activity, management, location and duration): The activities will consist primarily in the provision of European technical assistance as a basis for *ad hoc* appraisals and training in areas in which the study highlights weaknesses, such as trade in goods, public calls for tender, services, direct foreign investment and intellectual property. These areas will be examined in the light of the implementation of the WTO Agreements and the agenda for trade negotiations following the Doha Ministerial Conference with a view to focusing the activities on areas that are of interest to both parties. The duration of these activities may be short and can range from six months to a maximum of two years. The project base may be in Latin America or, if the technical assistance is provided on an *ad hoc* basis, in Europe.

Performance indicators:

- Regional laws and regulations will be adopted and effectively applied in previously neglected areas of the common-market construction process.
- The obstacles to the implementation of the WTO Agreements will be minimised.
- The number of Andean trade negotiators will be increased, and their quality will be enhanced.

Conditions: The beneficiary States will meet the cost of remunerating their representatives; the EC may help to pay their travel costs if necessary. The beneficiary States will take part in the training activities and will assist the EU exports in obtaining suitable training venues.

Financial resources, 2002-2006: 5% of the allocation to budget line B7-311.

- **Interaction with Andean civil society**

Background: CAN has an insufficiently high profile,⁶⁷ and the general public are largely unaware of its development.⁶⁸ Integration would be so much easier if CAN had a more democratic basis and thus enjoyed popular support and if it became a necessity for economic operators. Integration and democratisation will bolster the construction of an Andean zone of peace. This initiative ties in with both strands of the proposed strategy. Working with civil society is one of the priorities referred to in the declarations of the Andean Presidential Council. Structures representing labour, business and indigenous populations already exist or will soon be created. This project complements the efforts being made in Europe to promote CAN by means of seminars organised by some of the EU Member States. The fact-finding mission must take account, within the framework of the financial resources that are actually available, of the benefits that can derive from activities involving both Andean and European civil society, and the same applies to the Economic and Social Committee.

Aims: This project relates to both strands of the cooperation strategy. Involving civil society in the integration process ultimately cannot fail to have a beneficial impact on the construction of an Andean zone of peace. The specific aims of the project are as follows: to enable representatives of civil society to discuss ways of promoting the construction of an Andean zone of peace and the cohesion of the subregion, increase knowledge of CAN among the general public and improve the institutional mechanisms of CAN to enable them to pursue more effectively the policy of promoting CAN.

Expected results: It is expected that the target populations⁶⁹ will become more familiar with CAN, understand the benefits of integration, work for its achievement and be more deeply involved in the development of the Andean integration process. For its part, CAN should use the outcome of the aforementioned discussions as a basis for the implementation of measures designed to promote social and political harmony in the subregion.

Implementation (activity, management, location and duration): The project will be implemented by means of two types of seminar: national and regional information seminars and discussion seminars on the Andean identity and ways in which it can be developed. The information seminars should encourage the creation of networks of individuals who would then attend the discussion seminars. Promotion activities, using primarily local expertise, can also be envisaged. The provision of European technical assistance will involve transferring the experience amassed by the EC in its work with civil society. European know-how relating to the participation of civil society in political processes will be transferred, particularly to minorities such as

indigenous peoples and to other social groups such as women and trade unionists, who have traditionally been neither consulted about political initiatives nor involved in their implementation or whose vital interests are threatened by such initiatives. The representatives of civil society will be involved in the project from the definition stage. Part of the financial appropriation will be available for the establishment of an exchange programme for Andean students along the lines of the Erasmus programme, and joint activities, such as encounters or conferences of representatives of civil society from CAN and the EU, can be envisaged for any time after the first year of the project. SGCAN could provide the Andean co-manager of the project. The project base would therefore be in Lima, and the duration of the project activities would be two to four years. This initiative could be launched in 2003, and the implementation stage could begin in 2004.

Performance indicators:

- There will be an increase in the teaching of Andean integration studies in terms of the number of chairs and students, and the subject will be part of the curriculum of primary and secondary schools.
- An appropriate number of students will take part in exchange programmes.
- Subregional networks of representatives of Andean civil society will be strengthened or created.
- The media will devote more attention to the process (the number of relevant articles appearing in each year of the project will be measured against the number of articles in the three years preceding the project).
- There will be an increase in the number of visitors to the Andean Community website, on which the project activities will be described.
- The CAN website will conduct a poll on Andean integration; its success will be judged by the number of responses.
- The same poll will be conducted externally on a representative sample of the Andean population before and after the project.

Conditions: Achievement of the above performance targets could be the condition for proceeding with a second phase of the project, including financial support for activities involving civil society from CAN and the EU and an increase in the support for the student-exchange programme which would have begun in phase 1.

Financial resources, 2002-2006: 15% of the allocation to budget line B7-310.

- **Prevention of natural disasters**

Background: The Andean region is characterised by geodynamic, geomorphic and climatic conditions which are conducive to a wide diversity of natural disasters, such as floods, earthquakes, volcanic eruptions and drought. At the EU-LAC summit of heads of state and government and at the 1999 meeting of the EC-CAN Joint Committee, the European and Andean representatives agreed on the importance of taking action to prevent such disasters. Under the ECHO disaster-prevention programme *Dipecho*, 17 projects have already been developed to this end for implementation by NGOs in the Andean subregion, and a new decision on project funding was approved at the end of 2001 for entry into force in 2002. An Andean regional project must therefore complement the activities of ECHO, the future Commission project for the establishment of local networks throughout the Latin American subcontinent and the initiatives of other donors in Latin America.

Aims: The Andean regional project will focus on enhancing the powers and operational efficiency of the Andean civil-defence authorities. The project relates to the second priority of the regional strategy, namely promoting the creation of an Andean zone of peace. The specific aims are as follows: to achieve closer coordination of the national civil-defence systems in the Andean subregion assistance, to support measures to restructure and strengthen the civil-defence authorities, to support the process of administrative decentralisation so that the local authorities are able to implement decisions adopted by central government and to act in an efficient and coordinated manner in the event of a new disaster.

Expected results:

- It is expected that the structure and powers of the national civil-defence authorities will be strengthened, that their working methods will be improved and that they will coordinate their current preventive measures and their future operations in the event of new disasters.
- A subregional coordination centre should be established.
- Disaster-prevention plans should be compiled in each country and coordinated at the subregional level. Many factors, such as the environment, the sustainable use of natural resources, tectonic plates and climate, are not affected by national borders. These plans will be drawn up in collaboration with the other competent authorities (environmental, scientific and land-use planning authorities).
- Preventive infrastructures should be created.
- The instruments of risk measurement should be perfected.
- Future civil-defence officers should be trained in a subregional college.

Implementation (activity, management, location and duration):

The training activities will be provided by means of European technical assistance, which should include the secondment of experts from the civil authorities of the EU Member States.⁷⁰ Expertise in the management of natural resources and land-use planning is also required. Equipment and supplies will supplement those that the national authorities already possess and will be used to equip the coordination centre and college. The management team will comprise an Andean and a European co-manager and national coordinators. The duration of the project will be four to five years (new identification and commitment in 2002 for start-up in 2003). The project base will be in the Andean country identified as the most suitable location for subregional training centre and/or college. The political will of the national government, security and access to the project, as well as the capacity of the competent authorities, will be the key elements in determining the location of the training facility and project base.⁷¹

Performance indicators

- Disaster-prevention plans will be compiled in a similar manner for each country and will include elements of subregional action.
- The civil-defence authorities will be strengthened (more employees and a larger budget).
- The training and coordination centres will be built and operational.
- The basic infrastructure will have been built.
- The media will report on the existence of disaster-prevention plans (to be measured in terms of the number of published articles and the number of minutes devoted to the subject on television and radio) and will promote the culture of disaster prevention.

Conditions: Assistance will depend on the member countries of CAN helping to fund the project and taking steps to strengthen the national civil-defence authorities by increasing their budget and the number of their employees. The project could begin with an increase in the budget of the national civil-defence authorities or with the recruitment of new staff. These authorities must also play an effective part in the project in order to benefit from its activities.

Financial resources, 2002-2006: 30% of the allocation to budget line B7-310.

6.2. Cross-cutting issues

The cross-cutting issues that feature in the development policy of the EU have been given due consideration in the implementation of programmes that translate strategy into tangible measures. These issues are the promotion of human rights - chiefly supported by NGOs through the European Initiative for Democracy and Human Rights, to which budget line B7-70, for example, relates – women's rights, the rights of the child and the environmental dimension (all of which are supported with the aid of the aforementioned co-financing instrument for NGOs). These issues are also integrated into programmes implemented in partnership with national governments.